

## Assembly Bill No. 25

### CHAPTER 24

An act to amend Section 16430 of, and to add Section 8880.25.5 to, the Government Code, and to amend Section 11797 of the Insurance Code, relating to state funds, and declaring the urgency thereof, to take effect immediately.

[Filed with Secretary of State July 29, 2009.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 25, Evans. Surplus state funds.

(1) The California State Lottery Act of 1984, enacted by initiative, authorizes a California State Lottery and provides for its operation and administration by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act provides that none of its provisions may be changed by the Legislature except to further its purpose by a bill passed by a  $\frac{2}{3}$  vote of each house of the Legislature and signed by the Governor.

This bill would authorize the Lottery Commission to purchase and sell assets in its own name, invest funds on deposit in the State Lottery Fund within or outside the State Treasury system, and purchase and sell securities, including entering into bond purchase agreements with the state to purchase state general obligation bonds, or invest in other evidence of indebtedness issued by the state. The bill would declare that it furthers the purpose of the act.

(2) Existing law specifies the types of securities that are eligible for the investment of surplus state funds.

This bill would additionally include warrants and negotiable order of withdrawal accounts as being eligible for this investment.

(3) Existing law requires the Board of Directors of the State Compensation Insurance Fund to invest moneys in the State Compensation Insurance Fund that are in excess of current requirements to be invested and reinvested, in the same manner as provided for private insurance carriers.

This bill would authorize the State Compensation Insurance Fund to purchase any general obligation bonds or other evidence of indebtedness issued by the state, including notes or warrants, in any amount and to enter into purchase contracts with the state for this purpose.

(4) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. The Governor issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on July 1, 2009.

This bill would state that it addresses the fiscal emergency declared by the Governor by proclamation issued on July 1, 2009, pursuant to the California Constitution.

(5) This bill would declare that it is to take effect immediately as an urgency statute.

*The people of the State of California do enact as follows:*

SECTION 1. Section 8880.25.5 is added to the Government Code, to read:

8880.25.5. (a) Notwithstanding any other provision of law, the Lottery Commission may do all of the following:

- (1) Purchase and sell assets in its own name.
- (2) Invest funds on deposit in the State Lottery Fund within or outside the State Treasury system.
- (3) Purchase and sell securities, including entering into bond purchase agreements with the state to purchase state general obligation bonds, or invest in other evidence of indebtedness issued by the state, including, but not limited to, notes issued pursuant to Part 5 (commencing with Section 17300) of Division 4 or warrants issued pursuant to Part 4 (commencing with Section 17000) of Division 4.

(b) The bonds or other evidence of indebtedness specified in subdivision (a), upon delivery to the Lottery Commission, shall, for all purposes, be valid and binding obligations of the issuer thereof, be validly issued and outstanding in accordance with their stated terms, and shall not be deemed to be owned by or on behalf of the issuer thereof.

SEC. 2. Section 16430 of the Government Code is amended to read:

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

- (a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.
- (c) Bonds, notes, and warrants of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.
- (d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.
- (e) Any of the following:
  - (1) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).

(2) Debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).

(3) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).

(4) Stocks, bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).

(5) Bonds of any federal home loan bank established under that act.

(6) Obligations of the Federal Home Loan Mortgage Corporation.

(7) Bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).

(8) Other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).

(f) (1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities, if the commercial paper is issued by a corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph (A) or subparagraph (B):

(A) Both of the following conditions:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).

(B) Both of the following conditions:

(i) Organized within the United States as a special purpose corporation, trust, or limited liability company.

(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) A purchase of eligible commercial paper may not do any of the following:

(A) Exceed 180 days’ maturity.

(B) Represent more than 10 percent of the outstanding paper of an issuing corporation, trust, or limited liability company.

(C) Exceed 30 percent of the resources of an investment program.

(3) At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state’s investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, that are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the

purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

(n) Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).

SEC. 3. Section 11797 of the Insurance Code is amended to read:

11797. (a) The board of directors shall cause all moneys in the State Compensation Insurance Fund which are in excess of current requirements to be invested and reinvested, from time to time, in the same manner as provided for private insurance carriers pursuant to Article 3 (commencing with Section 1170) of Chapter 2 of Part 2 of Division 1.

(b) (1) Notwithstanding any other provision of law, the State Compensation Insurance Fund may purchase general obligation bonds or other evidence of indebtedness issued by the state, including, but not limited to, notes issued pursuant to Part 5 (commencing with Section 17300) of Division 4 of Title 2 of the Government Code or warrants issued pursuant to Part 4 (commencing with Section 17000) of Division 4 of Title 2 of the Government Code, in any amount and to enter into purchase contracts with the state for this purpose.

(2) The bonds or other evidence of indebtedness specified in paragraph (1), upon delivery to the State Compensation Insurance Fund, shall, for all purposes, be valid and binding obligations of the issuer thereof, be validly issued and outstanding in accordance with their stated terms, and not be deemed to be owned by or on behalf of the issuer thereof.

SEC. 4. The Legislature finds and declares that Section 1 of this act furthers the purposes of the California State Lottery Act of 1984, enacted by Proposition 37 at the November 6, 1984, general election.

SEC. 5. This act addresses the fiscal emergency declared by the Governor by proclamation on July 1, 2009, pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to address the adverse fiscal circumstances of the state, it is necessary that this act take effect immediately.

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